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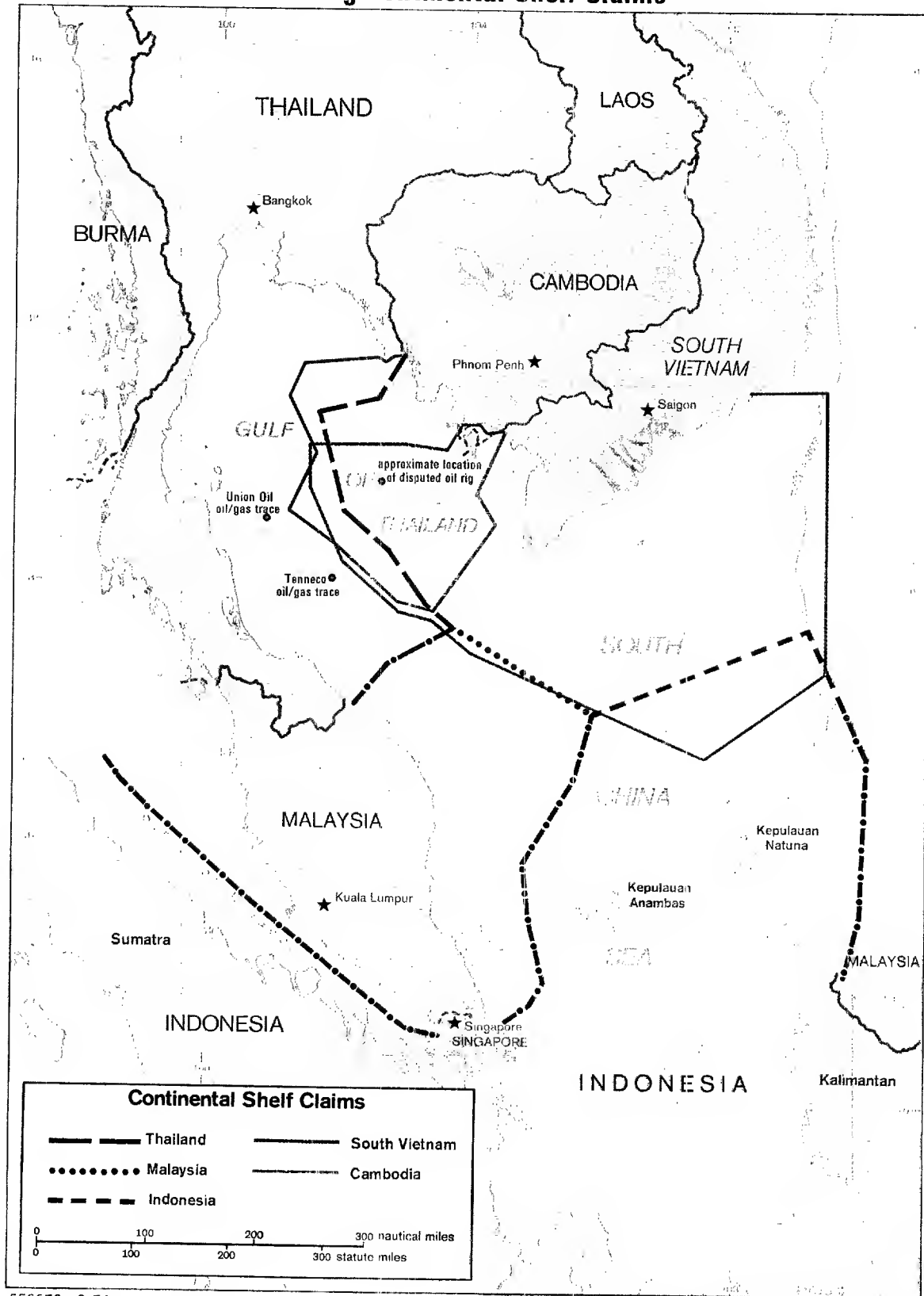
The army may be preparing for a tougher struggle against terrorists now that army officers are falling victim to the guerrillas' threat of "indiscriminate reprisals" for the "execution" of 14 guerrillas captured last month.

Speaking for the military high command at the funeral of one of the murdered officers, army chief Anaya announced that the army was willing to use "all its power" to combat subversion "when the people demand it through their legitimate representatives."

Some kind of preparation may in fact be under way already. According to the US defense attaché in Buenos Aires, the Argentine Superior War College may terminate its sessions earlier than usual so that students can report to duty units--presumably to be on alert for new terrorist attacks. The press says informed sources believe the military is sufficiently concerned that it may now press for a declaration of a state of siege.

Terrorist violence, which averages more than one death and a number of bombings a day, is worsening, to a point that President Peron and the armed forces leaders may feel forced to bring the army into full-scale operation against the continuing guerrilla-terrorist organizations.

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Southeast Asia: Conflicting Continental Shelf Claims

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SOUTH VIETNAM - CAMBODIA

South Vietnam and Cambodia are still trying to establish some sort of durable agreement on oil concessions after Cambodia removed an oil drilling rig from a jointly claimed area in the Gulf of Thailand on September 15. Both countries are claiming ownership of a number of concession areas, and a settlement would have to be reached before any production from these areas could begin.

Phnom Penh's agreement to withdraw the rig represented a political victory for Saigon, but it is unlikely that the South Vietnamese will consistently be able to be as forceful in defending their claims against other nations. Despite its position that no drilling should take place in disputed areas, Saigon has been unable to resolve successfully a disagreement with Indonesia over a concession near Natunas Island, where a large reserve of natural gas was located by an Indonesian licensee.

Phnom Penh will probably tread carefully on the oil concession issue in the future. Most of its offshore areas are contested by either South Vietnam or Thailand, and its position of weakness will require delicate maneuvering to assure its share of the potential oil take.

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THAILAND

Demonstrations by leftist university students are once again heating up the political atmosphere in Bangkok. The students' current target is the draft constitution, which up to this time had moved through the tedious scrutiny of the National Assembly with little modification or controversy.

The leftists, who are unhappy about the minimum voting age and several other provisions, have injected some doubt into what had been expected to be a pro forma vote for ratification next week.

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[REDACTED]

If the assembly rejected the draft, Sanya presumably would offer a new version more to the students' liking. This would considerably delay the constitutional process triggered by the downfall of the Thanom military regime one year ago.

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The odds, however, favor passage of the constitution when it comes up for a final vote next week. Sanya's efforts, while they have considerably complicated the situation, appear to be out of step with the mood of the country. Press reaction to Sanya's appeasement of the students has been swift and critical. Even assemblymen sympathetic to the students' views have come out publicly in favor of passage of the current draft.

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Whatever the vote is next week, the prospect of violence will loom over the deliberations. Vocational students, who support the constitution, have vowed that they will maintain a vigil in front of the assembly next week to "protect" the legislators from outside pressures.

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SOUTH VIETNAM

The recent cutbacks in the use of artillery by government forces--partly as a result of less combat and partly as a result of orders to conserve supplies--have not yet led to higher casualties or the loss of significant new territory to the Communists. The reduction in firepower, however, has made the South Vietnamese more willing to abandon remote outposts and has contributed to making them less aggressive in their operations to retake lost ground.

Recent reports indicated government forces are now using only two thirds as much artillery as they did in the summer. Government expenditures declined in each of the past three weeks, and during the third week of September, the South Vietnamese used just over 60,000 artillery rounds compared to a weekly average of approximately 90,000 rounds in July and August. The largest decline occurred in the central part of the country, where the fighting has eased. In Military Region 2, for example, the government reduced expenditures by half, and in the provinces surrounding Saigon, the cutback amounted to some 85 percent.

The fighting has been fairly intense in the northern sector of the country, and the government's use of artillery there has not declined much. In the delta, the South Vietnamese have been using slightly more ordnance than earlier.

On a countrywide basis, the South Vietnamese have used far more artillery munitions than the Communists. During the fairly intense fighting during July and August, the government fired approximately 300 shells for each Communist round. This ratio--which excludes the rockets and mortars both sides use heavily--does not appear to have changed much in recent weeks.

Both sides may be husbanding their resources for the next good fighting season in early 1975. For their part, the Communists possess hundreds of artillery weapons and tanks as well as large stockpiles of munitions

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which they have brought in since the cease-fire, but they have used this heavy equipment sparingly. The Communists are estimated to have sufficient supplies on hand in the South to sustain their forces for at least a year and a half at the 1972 rate of consumption.

Most reporting indicates that the South Vietnamese do not have a shortage of ammunition. [redacted]

[redacted] a recent South Vietnamese Joint General Staff study indicated that government stockpiles as of the end of August would last more than six months at the relatively heavy expenditure rates of July and August and about two months at the much higher 1972 rate. These are probably conservative estimates.

The South Vietnamese efforts to conserve munitions are directed at forcing government troops to become accustomed to fighting with less support from the US and creating a favorable image in the US by demonstrating that they are making maximum use of the support being given. A number of South Vietnamese military leaders expressed strong reservations about the cutbacks initially and claimed that they would have a detrimental impact on their performance in the field, but their fears appear to have been somewhat exaggerated. [redacted]

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DOMINICAN REPUBLIC

The abduction of a US embassy official yesterday was carried out by the extreme leftist 12th of January Liberation Movement, a small, violence-oriented group, which is demanding the release of one of the Dominican Republic's best known terrorists, Plenio Matos Mosquete, in exchange for the official's freedom.

The kidnapers are holding their captive at the Venezuelan consulate along with that country's consul and vice consul and several other hostages. The Venezuelans probably will be used to guarantee the kidnapers' safe passage out of the country if their demands for the freedom of Matos and 36 political prisoners held by the Belaguer government and a \$1-million ransom from the US government are met. They have set a deadline of noon today and have threatened to begin executing their hostages unless their demands are met. The Dominican government probably will give in to the kidnapers' request for the freedom of the jailed terrorists if they promise to leave the country as other terrorists have done before.

Sporadic incidents of violence in the Dominican Republic have occurred over the past year, but this is the first kidnaping of a foreign official in several years. [REDACTED]

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FRANCE

The current policy of the French Communist leadership is aimed at increasing popular support by improving the party's public image. The stress on moderation and domestic responsibility has required demonstrations of the party's independence from Moscow.

In preparation for the French party's special congress on October 24-27, Communist Secretary General Georges Marchais met with a delegation from the radical but non-Communist French Democratic Confederation of Labor. According to the labor delegation's report, Marchais admitted that the French public was still not ready for a socialist society. Therefore, he said, the special congress will stress the need to develop a broadly popular movement called "the Union of the People of France for Democratic Change." [redacted] the main purpose of the congress will be to convince rank-and-file party members that this time the appeal for a popular front is not just rhetoric. Although die-hard Stalinists will object vociferously to this watering down of Communist ideology, Marchais has a firm hold on his party. He will probably get strong support for his new policy.

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The special congress was foreshadowed two weeks ago by the "fete de L'Humanite" in Paris. The fair was relaxed--Solzhenitsyn's Gulag Archipelago was sold openly--and featured a new slogan: "I'm Communist Why Not You?" Speakers stressed the need to encourage "fellow travelers" of all political hues to join the party on the road to socialism.

Marchais is probably keeping a particularly close watch on disaffected elements of President Giscard's electorate--small businessmen, farmers, investors--many of whom are Gaullists. He has called for "Gaullist patriots" to help him in forming the projected popular movement. Perhaps in response to his appeal, delegations of the Young Gaullists and the Young Communists met last week for the first time. In a joint communiqué, they pledged cooperation and looked forward to the eventual initiation of common action.

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In the final analysis, any success of the Communist strategy is predicated on changing the French public's image of the party as Moscow's handmaiden. The essential "Frenchness" of the party was emphasized at the recent fair. The unusual exclusion of "fraternal" parties from the special congress also gives the impression of being directed toward the same end, although the domestic focus of the meeting may be the main reason.

There are indications that this strategy has created friction with Moscow. Last week, a working-level delegation from the French party was denied visas and tickets to Moscow by the Soviet embassy in Paris. No explanation was offered, [redacted] the action is being interpreted as a Soviet rebuff to the French party for a critical item in L'Humanite, following repression of an open-air art exhibit in Moscow.

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It is also possible, however, that the Soviets have learned of an interview given by Jean Elleinstein, the semi-official party expert on Soviet history, to be published in the moderate French newsweekly Le Point on September 30. In the interview, Elleinstein asserts that Stalinism continues today in the Soviet Union.

An editor of Le Point has told a US embassy officer that the article has been approved by the French Communist leadership with the objective of helping to dissociate the party from Moscow in the minds of the French electorate. [redacted]

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ITALY

While Italian President Leone continues his US visit, political leaders in Rome are quietly assessing the prospects for the Rumor government.

Prime Minister Rumor recently completed his first formal discussions since the August holiday with leaders of the four center-left coalition parties. Rumor apparently was trying to determine how far apart the coalition partners are on key economic and political issues. He must now decide whether the ingredients are present for a compromise that would allow his government to continue through the fall.

The coalition leaders were guarded in their public statements after the meetings, but no one threatened to precipitate a government crisis at this time. It was clear that they prefer to keep further public debate on the back burner until President Leone returns from the US. [redacted] the coalition leaders have scheduled another airing of their differences for the middle of October.

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Statements by political leaders just prior to Rumor's consultations provide some insight into the nature of next month's debate. The Socialist Party directorate last week unanimously approved a tough statement calling for a "profound correction" of the government's economic policies. The Socialists said it would be difficult for them to remain in the government unless some changes were made. Among the Socialist demands are proposals for more spending on social programs and public works, additional credits for small and medium-size businesses, and other measures to avoid increased unemployment. The government could not accept many of the Socialist demands without compromising the objectives of the austerity program passed in mid-August.

Meanwhile, the Socialists seem increasingly ambivalent about their earlier call for some form of governmental collaboration with the Communist Party. Budget Minister Giolitti, for example, last week floated a

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vague plan for government consultations with the Communists. Such proposals have been notably absent, however, from recent statements by party chief De Martino. In fact, De Martino has complained that the Christian Democrats are devoting too much discussion to the Communist question and ignoring Socialist requests for more important governmental assignments.

Among the coalition parties, the Republicans are the least flexible on the Socialists' economic proposals. The Republicans have for months been calling for a showdown on intra-coalition differences and would not hesitate to withdraw support from the government, as they did last March, if many of the Socialist demands were accepted.

For their part, the Communists are keeping up the pressure to acquire a direct voice in national policy making, through formalized consultations with the government on legislative matters. As a step in this direction, the Communists are trying to draw the Christian Democrats into governmental collaboration at the local level. In the latest such move, the Communist mayor in Bologna--the political capital of the Communist "Red Belt" regions of north-central Italy--invited the Christian Democrats to join his administration and suggested they reciprocate in localities where Christian Democrats hold the balance of power.

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FOR THE RECORD

UK: In a recent speech, UK Chancellor of the Exchequer Healy said the British would work for an "interest rate disarmament pact" in the forthcoming Camp David and International Monetary Fund meetings in the US. The high interest rates that London has been required to pay to attract financing for the UK's ailing balance of payments are compounding Britain's domestic problems. A coordinated international effort to reduce interest rates would simplify London's task. Healy's statement is a further development in London's drive for the major industrialized countries to relax restrictive policies.

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